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DOE/NNSA FOR BIENIAWSKI/CUMMINS/KENNEDY

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SUBJECT: KAZAKHSTAN REQUESTS IMPLEMENTING ARRANGEMENT ON ALL ALATAU
ACTIVITIES

REF: ASTANA 219

1. (SBU) Summary: In a June 12 meeting in Astana, Vice Minister of Energy and Mineral Resources Satkaliyev told Assistant Secretary Rood and Deputy Administrator Tobey that Kazakhstan preferred to sign an Implementing Arrangement covering all Department of Energy activities at the Institute of Nuclear Physics, rather than handling the various projects (downblending of fresh fuel, spent fuel return, and reactor conversion) in different ways. Satkaliyev also reported that the Kazakhstani side was not yet ready to sign the communique on discussion of permanent disposition of the BN-350 spent fuel. End summary.

2. (U) On the margins of the third meeting of the Global Initiative to Combat Nuclear Terrorism in Astana, Assistant Secretary for International Security and Nonproliferation John Rood and DOE Deputy Administrator for Defense Nuclear Nonproliferation William Tobey met with Vice Minister of Energy and Mineral Resources Almasadam Satkaliyev on June 12 to discuss pending non-proliferation issues. Satkaliyev was joined by Timur Zhantikin, Chairman of the Kazakhstani Atomic Energy Committee; Kairat Kadyrzhanov, Director of the National Nuclear Center; and Almaz Tulebayev and Bakhyt Shaikhislamova from MEMR. Andrew Bieniawski and Pol-Econ Chief (notetaker) also participated.

Communique on BN-350 Permanent Disposition

3. (SBU) Satkaliyev told A/S Rood and Deputy Administrator Tobey that the communique negotiated during the January discussions on permanent disposition of BN-350 spent fuel (reftel) was undergoing required interagency clearance, but MEMR was doing everything possible to move it forward and was optimistic that it would soon be approved. He asked for clarification of the impact of the communique on the existing bilateral agreement on the disposition of BN-350 fuel, signed in 1997.

4. (SBU) Tobey explained that the communique would not change the existing agreement in any way. The U.S. remains fully committed to the fuel move, and anticipates full FY08 funding. The communique would guide only the efforts of a working group examining permanent disposition options after the fuel move. Tobey offered to send a letter reiterating that signing the BN-350 Communique would in no way undermine or impact the U.S. commitment to move the BN-350 spent fuel to Baikal-1 by 2010. Satkaliyev expressed appreciation for the clarification, commenting that it would help him resolve certain interagency concerns.

Downblending of Fresh HEU from Alatau

15. (SBU) Tobey noted that despite President Nazarbayev's agreement during his September 2006 visit to Washington on the downblending of fresh HEU from the Alatau research reactor at the Institute of Nuclear Physics, the project has not moved forward.

16. (SBU) Satkaliyev noted that negotiations between DOE and the Institute of Nuclear Physics on converting the reactor from HEU to LEU use were proceeding well. He stressed that the reactor was very important to Kazakhstan's economy, as it produced isotopes and other medical products. Kazakhstan is nevertheless ready to hear more about the U.S. proposal and financing. Tobey responded that the Kazakhstani side's concerns were justified, and the U.S. is prepared to address them. The conversion itself would have a minimal impact on reactor operations. The Nuclear Threat Initiative was prepared to cover \$1.3 million of the cost, and DOE was prepared to contribute \$2 million for technical support (including \$1.3 million for a laboratory and \$700,000 for two separate projects) and to purchase a new supply of LEU, at a cost of approximately \$3-4 million. Kazakhstan will also be able to keep the LEU resulting from the blenddown, Tobey added.

17. (SBU) Satkaliyev indicated that the proposal was very good. He promised to discuss the proposal with his colleagues at MEMR and the Institute of Nuclear Physics. A written agreement spelling out the parties involved, the financing, the timeline, and technical questions was needed, he added. Tobey replied that the U.S. believed that the 1993 CTR Umbrella Agreement and the Materials Protection, Control, and Accounting (MPC&A) agreement, together with DOE's contract with the Ulba Metallurgical Factory to perform the downblending, provided sufficient legal basis for the project.

18. (SBU) Satkaliyev agreed that the CTR Agreement and MPC&A were

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relevant, but pushed back that, as with other DOE projects, a separate Implementing Arrangement was needed for the work at Alatau. Although the Kazakhstani interagency clearance process for such an agreement would be lengthy, Satkaliyev said, it would take no longer than obtaining approval to move forward with the project in the absence of an agreement. He promised to push the interagency process to move as quickly as possible; after he received a draft it would take his experts approximately two months to review the text and predict a timeline for signature. Tobey thanked Satkaliyev for his openness and agreed to submit a new draft Implementing Arrangement covering all the work at the Institute of Nuclear Physics.

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